

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# S. 1755

To amend the Internal Revenue Code of 1986 to promote and improve employee ownership in the United States.

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## IN THE SENATE OF THE UNITED STATES

NOVEMBER 20 (legislative day, NOVEMBER 2), 1993

Mr. BINGAMAN introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to promote and improve employee ownership in the United States.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Employee Ownership  
5       Promotion and Improvement Act of 1993”.

6       **SEC. 2. REFERENCES TO INTERNAL REVENUE CODE OF**  
7       **1986.**

8       Except as otherwise expressly provided, whenever in  
9       this Act an amendment or repeal is expressed in terms  
10      of an amendment to, or repeal of, a section or other provi-

1 sion, the reference shall be considered to be made to a  
 2 section or other provision of the Internal Revenue Code  
 3 of 1986.

## 4 **TITLE I—INVESTMENT** 5 **INCENTIVES**

### 6 **SEC. 101. EXCLUSION FOR GAIN FROM SALE OR EXCHANGE** 7 **OF CERTAIN STOCK OF AN EMPLOYEE** 8 **OWNED BUSINESS.**

9 (a) IN GENERAL.—Part I of subchapter P of chapter  
 10 1 (relating to capital gains and losses) is amended by add-  
 11 ing at the end the following new section:

### 12 **“SEC. 1203. EXCLUSION FOR GAIN FROM SALE OR EX-** 13 **CHANGE OF CERTAIN STOCK OF AN EM-** 14 **PLOYEE OWNED BUSINESS.**

15 “(a) GENERAL RULE.—

16 “(1) EXCLUSION.—In the case of a taxpayer  
 17 other than a corporation who has gain from the sale  
 18 or exchange of qualified stock of an employee owned  
 19 business, gross income shall not include an amount  
 20 equal to the sum of the amounts determined by ap-  
 21 plying the applicable percentages determined under  
 22 paragraph (2) to such gain.

23 “(2) APPLICABLE PERCENTAGES.—The applica-  
 24 ble percentages under paragraph (1) shall be deter-  
 25 mined under the following table:

<b>“In the case of stock held:</b>	<b>The applicable percentage is:</b>
At least 5 years but less than 6 years .....	50
At least 6 years but less than 7 years .....	60
At least 7 years but less than 8 years .....	70
At least 8 years but less than 9 years .....	80
At least 9 years but less than 10 years .....	90
10 or more years .....	100.

1 “(b) LIMITATION.—

2 “(1) IN GENERAL.—The aggregate amount of  
3 gain which may be excluded under subsection (a) for  
4 a taxable year shall not exceed \$250,000 reduced by  
5 the aggregate amount of gain excluded by the tax-  
6 payer under subsection (a) for prior taxable years.

7 “(2) TREATMENT OF MARRIED INDIVIDUALS.—

8 “(A) SEPARATE RETURNS.—In the case of  
9 a separate return by a married individual, para-  
10 graph (1) shall be applied by substituting  
11 ‘\$125,000’ for ‘\$250,000’.

12 “(B) ALLOCATION OF EXCLUSION.—In the  
13 case of any joint return, the amount of gain  
14 taken into account under subsection (a) shall be  
15 allocated equally between the spouses for pur-  
16 poses of applying this subsection to subsequent  
17 taxable years.

18 “(C) MARITAL STATUS.—For purposes of  
19 this subsection, marital status shall be deter-  
20 mined under section 7703.

1       “(c) QUALIFIED STOCK OF AN EMPLOYEE OWNED  
2 BUSINESS.—For purposes of this section—

3               “(1) IN GENERAL.—Except as otherwise pro-  
4 vided in this section, the term ‘qualified stock of an  
5 employee owned business’ means any stock in a cor-  
6 poration which is issued by such corporation on or  
7 after December 31, 1993, if—

8               “(A) as of the date of issuance, such cor-  
9 poration is an employee owned business, and

10              “(B) except as provided in subsections (f)  
11 and (h), such stock is acquired by the taxpayer  
12 at its original issue (directly or through an un-  
13 derwriter)—

14              “(i) in exchange for money or other  
15 property (not including stock), or

16              “(ii) as compensation for services  
17 (other than services performed as an un-  
18 derwriter of such stock).

19              “(2) ACTIVE BUSINESS REQUIREMENT.—Stock  
20 in a corporation shall not be treated as qualified  
21 stock of an employee owned business unless, during  
22 substantially all of the taxpayer’s holding period for  
23 such stock, such corporation meets the active busi-  
24 ness requirements of subsection (e).

1           “(3) CERTAIN PURCHASES BY CORPORATION OF  
2           ITS OWN STOCK.—

3           “(A) REDEMPTIONS FROM TAXPAYER OR  
4           RELATED PERSON.—Stock acquired by the tax-  
5           payer shall not be treated as qualified stock of  
6           an employee owned business if, at any time dur-  
7           ing the 4-year period beginning on the date 2  
8           years before the issuance of such stock, the cor-  
9           poration issuing such stock purchased (directly  
10          or indirectly) any of its stock from the taxpayer  
11          or from a person related (within the meaning of  
12          section 267(b) or 707(b)) to the taxpayer.

13          “(B) SIGNIFICANT REDEMPTIONS.—Stock  
14          issued by a corporation shall not be treated as  
15          qualified stock of an employee owned business  
16          if, during the 2-year period beginning on the  
17          date 1 year before the issuance of such stock,  
18          such corporation made 1 or more purchases of  
19          its stock with an aggregate value (as of the  
20          time of the respective purchases) exceeding 5  
21          percent of the aggregate value of all of its stock  
22          as of the beginning of such 2-year period.

23          “(C) TREATMENT OF CERTAIN TRANS-  
24          ACTIONS.—If any transaction is treated under  
25          section 304(a) as a distribution in redemption

1 of the stock of any corporation, for purposes of  
2 subparagraphs (A) and (B), such corporation  
3 shall be treated as purchasing an amount of its  
4 stock equal to the amount treated as such a  
5 distribution under section 304(a).

6 “(D) EXCEPTION FOR PURCHASE OF  
7 STOCK FROM EMPLOYEES.—Subparagraph (A)  
8 shall not apply to the purchase of stock by a  
9 corporation from an employee in connection  
10 with such employee’s termination of employ-  
11 ment with the corporation, or in connection  
12 with repurchasing shares offered for sale by  
13 employee shareholders.

14 “(4) SPECIAL RULES.—

15 “(A) REPURCHASE BY CORPORATION,  
16 ETC.—If—

17 “(i) stock in a corporation in the  
18 hands of a taxpayer would be qualified  
19 stock of an employee owned business ex-  
20 cept that it was issued before December  
21 31, 1993, and

22 “(ii) the taxpayer sells such stock to  
23 such corporation or to an employees’ trust  
24 fund which is described in section 401(a)

1           and which is exempt from the tax under  
2           section 501(a),  
3           such stock shall be treated as qualified stock of  
4           an employee owned business for purposes of ap-  
5           plying subsection (a) to any gain of the tax-  
6           payer on such sale.

7           “(B) DISTRIBUTIONS TO EMPLOYEES.—If  
8           an employees’ trust which is described in sec-  
9           tion 401(a) and which is exempt from tax  
10          under section 501(a)—

11               “(i) purchases stock in a corporation  
12               at original issue from such corporation or  
13               from a person who acquired such stock at  
14               original issue from such corporation, and

15               “(ii) distributes such stock to an em-  
16               ployee,

17           the stock distributed to such employee shall be  
18           treated as acquired by the employee at original  
19           issue and the employee’s holding period for  
20           such stock shall include the period from issu-  
21           ance to distribution.

22          “(d) EMPLOYEE OWNED BUSINESS.—

23               “(1) IN GENERAL.—For purposes of this sec-  
24           tion, the term ‘employee owned business’ means any  
25           domestic corporation if—

1           “(A) at least 50 percent of the employees  
 2           of the corporation own directly, or have allo-  
 3           cated to an account in an employees’ trust de-  
 4           scribed in section 401(a) which is exempt from  
 5           tax under section 501(a), stock in such corpora-  
 6           tion, and

7           “(B) stock owned by the employees of the  
 8           corporation represents at least 30 percent of—

9                   “(i) each class of outstanding stock of  
 10                  the corporation, or

11                  “(ii) the total value of all outstanding  
 12                  stock of the corporation.

13           “(2) EXCLUSION OF CERTAIN STOCK FOR PUR-  
 14           POSES OF DEFINITION.—If an employee owns di-  
 15           rectly, or through an allocation to an account in an  
 16           employees’ trust described in section 401(a) which is  
 17           exempt from tax under section 501(a), stock rep-  
 18           resenting more than 5 percent of—

19                  “(A) each class of outstanding stock of the  
 20                  corporation, or

21                  “(B) the total value of all outstanding  
 22                  stock of the corporation,

23           no stock owned by such employee directly or through  
 24           such an allocation shall be included under paragraph  
 25           (1)(B).



1 “(e) ACTIVE BUSINESS REQUIREMENT.—

2 “(1) IN GENERAL.—For purposes of subsection  
3 (c)(2), the requirements of this subsection are met  
4 by a corporation for any period if during such pe-  
5 riod—

6 “(A) at least 80 percent (by value) of the  
7 assets of such corporation are used by such cor-  
8 poration in the active conduct of 1 or more  
9 qualified trades or businesses, and

10 “(B) such corporation is an eligible cor-  
11 poration.

12 “(2) SPECIAL RULE FOR CERTAIN ACTIVI-  
13 TIES.—For purposes of paragraph (1), if, in connec-  
14 tion with any future qualified trade or business, a  
15 corporation is engaged in—

16 “(A) start-up activities described in section  
17 195(c)(1)(A),

18 “(B) activities resulting in the payment or  
19 incurring of expenditures which may be treated  
20 as research and experimental expenditures  
21 under section 174, or

22 “(C) activities with respect to in-house re-  
23 search expenses described in section 41(b)(4),  
24 assets used in such activities shall be treated as used  
25 in the active conduct of a qualified trade or busi-

1       ness. Any determination under this paragraph shall  
2       be made without regard to whether a corporation  
3       has any gross income from such activities at the  
4       time of the determination.

5           “(3) QUALIFIED TRADE OR BUSINESS.—For  
6       purposes of this subsection, the term ‘qualified trade  
7       or business’ means any trade or business other  
8       than—

9           “(A) any banking, insurance, financing,  
10       leasing, investing, or similar business,

11          “(B) any farming business (including the  
12       business of raising or harvesting trees), and

13          “(C) any business involving the production  
14       or extraction of products of a character with re-  
15       spect to which a deduction is allowable under  
16       section 613 or 613A.

17          “(4) ELIGIBLE CORPORATION.—For purposes  
18       of this subsection, the term ‘eligible corporation’  
19       means any domestic corporation; except that such  
20       term shall not include—

21          “(A) a DISC or former DISC,

22          “(B) a corporation with respect to which  
23       an election under section 936 is in effect or  
24       which has a direct or indirect subsidiary with  
25       respect to which such an election is in effect,

1           “(C) a regulated investment company, real  
2           estate investment trust, or REMIC, and

3           “(D) a cooperative.

4           “(5) STOCK IN OTHER CORPORATIONS.—

5           “(A) LOOK-THRU IN CASE OF SUBSIDI-  
6           ARIES.—For purposes of this subsection, stock  
7           and debt in any subsidiary corporation shall be  
8           disregarded and the parent corporation shall be  
9           deemed to own its ratable share of the subsidi-  
10          ary’s assets, and to conduct its ratable share of  
11          the subsidiary’s activities.

12          “(B) PORTFOLIO STOCK OR SECURITIES.—  
13          A corporation shall be treated as failing to meet  
14          the requirements of paragraph (1) for any pe-  
15          riod during which more than 10 percent of the  
16          value of its assets (in excess of liabilities) con-  
17          sists of stock or securities in other corporations  
18          which are not subsidiaries of such corporation  
19          (other than assets described in paragraph (6)).

20          “(C) SUBSIDIARY.—For purposes of this  
21          paragraph, a corporation shall be considered a  
22          subsidiary if the parent owns more than 50 per-  
23          cent of the combined voting power of all classes  
24          of stock entitled to vote, or more than 50 per-

1 cent in value of all outstanding stock, of such  
2 corporation.

3 “(6) WORKING CAPITAL.—For purposes of  
4 paragraph (1)(A), any assets which—

5 “(A) are held as a part of the reasonably  
6 required working capital needs of a qualified  
7 trade or business of the corporation, or

8 “(B) are held for investment and are rea-  
9 sonably expected to be used within 2 years to  
10 finance research and experimentation in a  
11 qualified trade or business or increases in work-  
12 ing capital needs of a qualified trade or busi-  
13 ness,

14 shall be treated as used in the active conduct of a  
15 qualified trade or business. For periods after the  
16 corporation has been in existence for at least 2  
17 years, in no event may more than 50 percent of the  
18 assets of the corporation qualify as used in the ac-  
19 tive conduct of a qualified trade or business by rea-  
20 son of this paragraph.

21 “(7) MAXIMUM REAL ESTATE HOLDINGS.—A  
22 corporation shall not be treated as meeting the re-  
23 quirements of paragraph (1) for any period during  
24 which more than 10 percent of the total value of its  
25 assets consists of real property which is not used in

1 the active conduct of a qualified trade or business.  
2 For purposes of the preceding sentence, the owner-  
3 ship of, dealing in, or renting of real property shall  
4 not be treated as the active conduct of a qualified  
5 trade or business.

6 “(8) COMPUTER SOFTWARE ROYALTIES.—For  
7 purposes of paragraph (1), rights to computer soft-  
8 ware which produces active business computer soft-  
9 ware royalties (within the meaning of section  
10 543(d)(1)) shall be treated as an asset used in the  
11 active conduct of a trade or business.

12 “(f) STOCK ACQUIRED ON CONVERSION OF OTHER  
13 STOCK.—If any stock in a corporation is acquired solely  
14 through the conversion of other stock in such corporation  
15 which is qualified stock of an employee owned business  
16 in the hands of the taxpayer—

17 “(1) the stock so acquired shall be treated as  
18 qualified stock of an employee owned business in the  
19 hands of the taxpayer, and

20 “(2) the stock so acquired shall be treated as  
21 having been held during the period during which the  
22 converted stock was held.

23 “(g) TREATMENT OF PASS-THRU ENTITIES.—

24 “(1) IN GENERAL.—If any amount included in  
25 gross income by reason of holding an interest in a

1 pass-thru entity meets the requirements of para-  
2 graph (2)—

3 “(A) such amount shall be treated as gain  
4 described in subsection (a), and

5 “(B) for purposes of applying subsection  
6 (b), such amount shall be treated as gain from  
7 a disposition of stock in the corporation issuing  
8 the stock disposed of by the pass-thru entity  
9 and the taxpayer’s proportionate share of the  
10 adjusted basis of the pass-thru entity in such  
11 stock shall be taken into account.

12 “(2) REQUIREMENTS.—An amount meets the  
13 requirements of this paragraph if—

14 “(A) such amount is attributable to gain  
15 on the sale or exchange by the pass-thru entity  
16 of stock which is qualified stock of an employee  
17 owned business in the hands of such entity (de-  
18 termined by treating such entity as an individ-  
19 ual) and which was held by such entity for  
20 more than 5 years, and

21 “(B) such amount is includible in the gross  
22 income of the taxpayer by reason of the holding  
23 of an interest in such entity which was held by  
24 the taxpayer on the date on which such pass-  
25 thru entity acquired such stock and at all times

1           thereafter before the disposition of such stock  
2           by such pass-thru entity.

3           “(3) LIMITATION BASED ON INTEREST ORIGI-  
4           NALLY HELD BY TAXPAYER.—Paragraph (1) shall  
5           not apply to any amount to the extent such amount  
6           exceeds the amount to which paragraph (1) would  
7           have applied if such amount were determined by ref-  
8           erence to the interest the taxpayer held in the pass-  
9           thru entity on the date the qualified stock of an em-  
10          ployee owned business was acquired.

11          “(4) PASS-THRU ENTITY.—For purposes of this  
12          subsection, the term ‘pass-thru entity’ means—

13                  “(A) any partnership,

14                  “(B) any S corporation,

15                  “(C) any regulated investment company,

16                  and

17                  “(D) any common trust fund.

18          “(h) CERTAIN TAX-FREE AND OTHER TRANS-  
19          FERS.—For purposes of this section—

20                  “(1) IN GENERAL.—In the case of a transfer  
21          described in paragraph (2), the transferee shall be  
22          treated as—

23                          “(A) having acquired such stock in the  
24                          same manner as the transferor, and

1           “(B) having held such stock during any  
2           continuous period immediately preceding the  
3           transfer during which it was held (or treated as  
4           held under this subsection) by the transferor.

5           “(2) DESCRIPTION OF TRANSFERS.—A transfer  
6           is described in this subsection if such transfer is—

7                   “(A) by gift,

8                   “(B) at death, or

9                   “(C) from a partnership to a partner of  
10           stock with respect to which requirements simi-  
11           lar to the requirements of subsection (g) are  
12           met at the time of the transfer (without regard  
13           to the 5-year holding requirement).

14           “(3) CERTAIN RULES MADE APPLICABLE.—  
15           Rules similar to the rules of section 1244(d)(2) shall  
16           apply for purposes of this section.

17           “(4) INCORPORATIONS AND REORGANIZATIONS  
18           INVOLVING NONQUALIFIED STOCK.—

19                   “(A) IN GENERAL.—In the case of a trans-  
20           action described in section 351 or a reorganiza-  
21           tion described in section 368, if qualified stock  
22           of an employee owned business is exchanged for  
23           other stock which would not qualify as qualified  
24           stock of an employee owned business but for  
25           this subparagraph, such other stock shall be



1 treated as qualified stock of an employee owned  
2 business acquired on the date on which the ex-  
3 changed stock was acquired.

4 “(B) LIMITATION.—This section shall  
5 apply to gain from the sale or exchange of stock  
6 treated as qualified stock of an employee owned  
7 business by reason of subparagraph (A) only to  
8 the extent of the gain which would have been  
9 recognized at the time of the transfer described  
10 in subparagraph (A) if section 351 or 368 had  
11 not applied at such time. The preceding sen-  
12 tence shall not apply if the stock which is treat-  
13 ed as qualified stock of an employee owned  
14 business by reason of subparagraph (A) is is-  
15 sued by a corporation which (as of the time of  
16 the transfer described in subparagraph (A)) is  
17 an employee owned business.

18 “(C) SUCCESSIVE APPLICATION.—For pur-  
19 poses of this paragraph, stock treated as quali-  
20 fied stock of an employee owned business under  
21 subparagraph (A) shall be so treated for subse-  
22 quent transactions or reorganizations, except  
23 that the limitation of subparagraph (B) shall be  
24 applied as of the time of the first transfer to  
25 which such limitation applied (determined after

1 the application of the second sentence of sub-  
2 paragraph (B)).

3 “(D) CONTROL TEST.—In the case of a  
4 transaction described in section 351, this para-  
5 graph shall apply only if, immediately after the  
6 transaction, the corporation issuing the stock  
7 owns directly or indirectly stock representing  
8 control (within the meaning of section 368(c))  
9 of the corporation whose stock was exchanged.

10 “(i) BASIS RULES.—For purposes of this section—

11 “(1) STOCK EXCHANGED FOR PROPERTY.—In  
12 the case where the taxpayer transfers property  
13 (other than money or stock) to a corporation in ex-  
14 change for stock in such corporation—

15 “(A) such stock shall be treated as having  
16 been acquired by the taxpayer on the date of  
17 such exchange, and

18 “(B) the basis of such stock in the hands  
19 of the taxpayer shall in no event be less than  
20 the fair market value of the property ex-  
21 changed.

22 “(2) BASIS OF S CORPORATION STOCK.—For  
23 purposes of this section, the adjusted basis of stock  
24 in an S corporation shall in no event be less than  
25 its adjusted basis determined without regard to any

1 adjustment to the basis of such stock under section  
2 1367.

3 “(3) TREATMENT OF CONTRIBUTIONS TO CAP-  
4 ITAL.—If the adjusted basis of any qualified stock of  
5 an employee owned business is adjusted by reason of  
6 any contribution to capital after the date on which  
7 such stock was originally issued, in determining the  
8 amount of the adjustment by reason of such con-  
9 tribution, the basis of the contributed property shall  
10 in no event be treated as less than its fair market  
11 value on the date of the contribution.

12 “(j) TREATMENT OF CERTAIN SHORT POSITIONS.—

13 “(1) IN GENERAL.—If the taxpayer has an off-  
14 setting short position with respect to any qualified  
15 stock of an employee owned business, subsection (a)  
16 shall not apply to any gain from the sale or ex-  
17 change of such stock unless—

18 “(A) such stock was held by the taxpayer  
19 for more than 5 years as of the first day on  
20 which there was such a short position, and

21 “(B) the taxpayer elects to recognize gain  
22 as if such stock were sold on such first day for  
23 its fair market value.

24 “(2) OFFSETTING SHORT POSITION.—For pur-  
25 poses of paragraph (1), the taxpayer shall be treated

1 as having an offsetting short position with respect to  
2 any qualified stock of an employee owned business  
3 if—

4 “(A) the taxpayer has made a short sale of  
5 substantially identical property,

6 “(B) the taxpayer has acquired an option  
7 to sell substantially identical property at a fixed  
8 price, or

9 “(C) to the extent provided in regulations,  
10 the taxpayer has entered into any other trans-  
11 action which substantially reduces the risk of  
12 loss from holding such qualified stock.

13 For purposes of the preceding sentence, any ref-  
14 erence to the taxpayer shall be treated as including  
15 a reference to any person who is related (within the  
16 meaning of section 267(b) or 707(b)) to the tax-  
17 payer.

18 “(k) COORDINATION WITH EXCLUSION FOR GAIN  
19 FROM CERTAIN SMALL BUSINESS STOCK.—In the case of  
20 qualified stock of an employee owned business that is also  
21 qualified small business stock (as defined in section  
22 1202(c))—

23 “(1) the taxpayer shall elect whether gain from  
24 the sale of such stock is excluded under this section  
25 or section 1202, and

1 “(2) the limitation under—

2 “(A) subsection (b) shall be reduced by the  
3 amount of such gain excluded under section  
4 1202, and

5 “(B) section 1202(b) shall be reduced by  
6 the amount of such gain excluded under sub-  
7 section (a).

8 “(l) REGULATIONS.—The Secretary shall prescribe  
9 such regulations as may be appropriate to carry out the  
10 purposes of this section, including regulations to prevent  
11 the avoidance of the purposes of this section through split-  
12 ups, shell corporations, partnerships, or otherwise.”.

13 (b) EXCLUSION TREATED AS PREFERENCE FOR MIN-  
14 IMUM TAX.—

15 (1) IN GENERAL.—Subsection (a) of section 57  
16 (relating to items of tax preference) is amended by  
17 adding at the end the following new paragraph:

18 “(8) EXCLUSION FOR GAINS ON SALE OF CER-  
19 TAIN QUALIFIED STOCK OF AN EMPLOYEE OWNED  
20 BUSINESS.—An amount equal to the amount ex-  
21 cluded from gross income for the taxable year under  
22 section 1203.”.

23 (2) CONFORMING AMENDMENT.—Subclause (II)  
24 of section 53(d)(1)(B)(ii) is amended by striking  
25 “and (7)” and inserting “(7), and (8)”.

1 (c) CONFORMING AMENDMENTS.—

2 (1)(A) Section 172(d)(2) (relating to modifica-  
3 tions with respect to net operating loss deduction) is  
4 amended—

5 (i) by striking “and” at the end of sub-  
6 paragraph (A),

7 (ii) by striking the period at the end of  
8 subparagraph (B) and inserting “; and”, and

9 (iii) by adding at the end the following new  
10 subparagraph:

11 “(C) the exclusion provided by section  
12 1203 shall not be allowed.”

13 (B) Subparagraph (B) of section 172(d)(4) is  
14 amended by inserting “(2)(C),” after “(2)(B),”.

15 (2) Paragraph (4) of section 642(c) is amend-  
16 ed—

17 (A) by inserting “or 1203(a)” after  
18 “1202(a)”, and

19 (B) by inserting “1203, respectively” after  
20 “1202”.

21 (3) Paragraph (3) of section 643(a) is amended  
22 by inserting “or 1203” after “1202”.

23 (4) Paragraph (4) of section 691(c) is amended  
24 by striking “1202,” and inserting “1202, 1203,”.

1           (5) The second sentence of paragraph (2) of  
 2           section 871(a) is amended by striking “section  
 3           1202” and inserting “sections 1202 and 1203”.

4           (6) The table of sections for part I of sub-  
 5           chapter P of chapter 1 is amended by adding after  
 6           the item relating to section 1202 the following new  
 7           item:

“Sec. 1203. Exclusion for gain from sale or exchange of certain stock of an em-  
 ployee owned business.”.

8           (d) EFFECTIVE DATE.—The amendments made by  
 9           this section shall apply to stock issued on or after Decem-  
 10          ber 31, 1993.

11   **SEC. 102. DEFERRAL OF CAPITAL GAINS TAX ON SALE OF**  
 12                           **EMPLOYER SECURITIES MODIFIED TO IN-**  
 13                           **CLUDE SECURITIES OF PUBLIC COMPANIES.**

14          (a) IN GENERAL.—Section 1042(c)(1)(A) (relating to  
 15          sales of stock to employee stock ownership plans) is  
 16          amended by striking “that has no stock outstanding that  
 17          are readily tradable on an established securities market”.

18          (b) EFFECTIVE DATE.—The amendments made by  
 19          this section shall apply to sales of securities occurring on  
 20          or after December 31, 1993.

21   **SEC. 103. ESOP DIVIDEND EXCEPTION TO ADJUSTMENTS**  
 22                           **BASED ON ADJUSTED CURRENT EARNINGS.**

23          (a) IN GENERAL.—Section 56(g)(4)(C) (relating to  
 24          disallowance of items not deductible in computing earnings

1 and profits) is amended by adding at the end the following  
 2 new clause:

3 “(v) TREATMENT OF ESOP DIVI-  
 4 DENDS.—Clause (i) shall not apply to any  
 5 deduction allowable under section 404(k).”.

6 (b) EFFECTIVE DATE.—The amendment made by  
 7 subsection (a) shall apply to taxable years beginning after  
 8 December 31, 1993.

## 9 **TITLE II—INCENTIVES TO** 10 **EMPLOYEES**

### 11 **SEC. 201. USE OF 401(k) PLANS WITHIN EMPLOYEE STOCK** 12 **OWNERSHIP PLANS.**

13 (a) IN GENERAL.—Section 4975(e)(7) (relating to  
 14 the definition of employee stock ownership plan) is amend-  
 15 ed by adding at the end the following: “An employee stock  
 16 ownership plan may include a qualified cash or deferred  
 17 arrangement under the same rules which apply to stock  
 18 bonus plans under section 401(k), and an employee stock  
 19 ownership plan may provide for matching contributions  
 20 under the same rules which apply to stock bonus plans  
 21 under section 401(m). Any contributions described in sec-  
 22 tion 401(k)(2)(A), and any matching contributions de-  
 23 scribed in section 401(m)(4)(A), which are made to an em-  
 24 ployee stock ownership plan may be used to make pay-  
 25 ments on a loan incurred for the purpose of acquiring



1 qualifying employer securities (as described in section  
2 404(a)(9)).”.

3 (b) ELECTIVE DEFERRALS.—

4 (1) INCREASE IN LIMIT FOR CERTAIN CON-  
5 TRIBUTIONS.—Section 402(g) (relating to limitation  
6 on exclusion for elective deferrals) is amended by  
7 adding at the end the following new paragraph:

8 “(9) INCREASE IN LIMIT ON ELECTIVE DEFER-  
9 RALS FOR CONTRIBUTIONS TO EMPLOYEE STOCK  
10 OWNERSHIP PLANS.—The limitation under para-  
11 graph (1), as increased under paragraph (4), shall  
12 be increased by the lesser of—

13 “(A) the amount of any elective deferrals  
14 for contributions to an employee stock owner-  
15 ship plan (as defined in section 4975(e)(7)), or

16 “(B) \$3,000.”.

17 (2) COST-OF-LIVING ADJUSTMENT.—Section  
18 402(g)(5) (relating to cost-of-living adjustment) is  
19 amended to read as follows:

20 “(5) COST-OF-LIVING ADJUSTMENT.—The Sec-  
21 retary shall—

22 “(A) adjust the \$7,000 amount under  
23 paragraph (1), and

1           “(B) in the case of years beginning after  
 2           1994, adjust the \$3,000 amount under para-  
 3           graph (9),  
 4           at the same time and in the same manner as under  
 5           section 415(d).”.

6           (c) EFFECTIVE DATE.—

7           (1) The amendment made by subsection (a) is  
 8           effective as of November 6, 1979, with respect to  
 9           references to section 401(k) and effective October  
 10          22, 1986, with respect to references to section  
 11          401(m).

12          (2) The amendments made by subsection (b)  
 13          shall apply to taxable years beginning after Decem-  
 14          ber 31, 1993.

15   **SEC. 202. REDUCTION OF TAX RATES ON EMPLOYEE STOCK**  
 16                   **OWNERSHIP PLAN RETIREMENT DISTRIBU-**  
 17                   **TIONS.**

18          (a) IN GENERAL.—Section 402(a) (relating to tax-  
 19          ability of beneficiary of exempt trust) is amended to read  
 20          as follows:

21          “(a) TAXABILITY OF BENEFICIARY EXEMPT  
 22          TRUST.—

23               “(1) IN GENERAL.—Except as otherwise pro-  
 24          vided in this section, any amount actually distrib-  
 25          uted to any distributee by any employees’ trust de-

1 scribed in section 401(a) which is exempt from tax  
2 under section 501(a) shall be taxable to the distribu-  
3 tee, in the taxable year of the distributee in which  
4 distributed, under section 72 (relating to annuities).

5 “(2) EXCLUSION FOR PORTION OF LUMP-SUM  
6 DISTRIBUTION FROM ESOPS.—

7 “(A) DISTRIBUTION OF SECURITIES.—In  
8 the case of a lump-sum distribution of employer  
9 securities from an employee stock ownership  
10 plan (as defined in section 4975(e)(7)), there  
11 shall be excluded from gross income 50 percent  
12 of the net appreciation in securities of the em-  
13 ployer corporation realized at the time of sale.

14 “(B) CASH DISTRIBUTION.—If an em-  
15 ployee stock ownership plan (as defined in sec-  
16 tion 4975(e)(7)) distributes cash in lieu of em-  
17 ployer securities held immediately before the  
18 distribution, there shall be excluded from gross  
19 income an amount equal to 50 percent of the  
20 net appreciation of such employer securities.

21 “(C) TREATMENT AS LUMP-SUM DISTRIBUTION.—For purposes of this paragraph, no dis-  
22 tribution to any taxpayer other than an individ-  
23 ual, estate, or trust may be treated as a lump-  
24 sum distribution under this paragraph.”.  
25

1 (b) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to distributions made on or after  
 3 December 31, 1993.

4 **SEC. 203. GAINS FROM THE SALE OR EXCHANGE OF CER-**  
 5 **TAIN EMPLOYER SECURITIES.**

6 (a) IN GENERAL.—Part III of subchapter B of chap-  
 7 ter 1 (relating to items specifically excluded from gross  
 8 income) is amended by redesignating section 137 as sec-  
 9 tion 138 and by inserting after section 136 the following  
 10 new section:

11 **“SEC. 137. GAINS FROM THE SALE OR EXCHANGE OF CER-**  
 12 **TAIN EMPLOYER SECURITIES.**

13 “(a) TREATMENT OF GAIN.—

14 “(1) GENERAL RULE.—In the case of an indi-  
 15 vidual, gross income shall not include gain from the  
 16 sale or exchange of qualified employer securities but  
 17 only if the sale or exchange occurs—

18 “(A) after the individual has attained the  
 19 age of 55;

20 “(B) after the individual has held the  
 21 qualified employer securities for 10 years while  
 22 employed by the corporation which issued the  
 23 qualified employer securities; and

24 “(C) during the 1-year period following the  
 25 individual’s separation from service as an em-

1            ployee of the corporation which issued the  
2            qualified employer securities.

3            “(2) DOLLAR LIMITATION.—The aggregate  
4            amount which may be excluded under paragraph (1)  
5            for all taxable years shall not exceed \$100,000.

6            “(b) DEFINITIONS.—For purposes of this section, the  
7            term ‘qualified employer securities’ means stock in a cor-  
8            poration which was originally issued to, or purchased by,  
9            the individual while the individual was employed by such  
10           corporation.”.

11           (b) CLERICAL AMENDMENT.—The table of sections  
12           for part III of subchapter B of chapter 1 is amended by  
13           redesignating the item relating to section 137 as section  
14           138, and by inserting after the item relating to section  
15           136 the following new item:

          “Sec. 137. Gains from the sale or exchange of certain employer securities.”.

16           (c) EFFECTIVE DATE.—The amendments made by  
17           this section shall apply to sales or exchanges occurring on  
18           or after December 31, 1993.

19           **SEC. 204. ALLOWANCE OF DEDUCTION WITH RESPECT TO**  
20           **CERTAIN EMPLOYEE STOCK OPTIONS.**

21           (a) IN GENERAL.—Section 421 (relating to general  
22           rules regarding certain stock options) is amended by add-  
23           ing at the end the following new subsection:

24           “(d) SPECIAL RULE.—

1           “(1) IN GENERAL.—In the case of a transfer of  
2           a share of stock in an employee owned business (as  
3           defined in section 1203(c))—

4                   “(A) subsection (a)(2) shall not apply, and

5                   “(B) the corporation described in sub-  
6           section (a)(2) shall be allowed, for the taxable  
7           year in which the option is exercised, a deduc-  
8           tion equal to the fair market value of the stock  
9           at the time the option is exercised, reduced by  
10          the fair market value of the stock at the time  
11          the option is issued.

12          “(2) OPTIONS EXERCISED BY CERTAIN EM-  
13          PLOYEES.—Paragraph (1) shall not apply to any op-  
14          tion exercised by an employee who—

15                   “(A) during the taxable year in which the  
16          option is exercised, receives compensation from  
17          the corporation which exceeds \$200,000, or

18                   “(B) on the date that the option is exer-  
19          cised, owns stock representing greater than 5  
20          percent of the total value of all outstanding  
21          stock of the corporation.”.

22          (b) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to options granted on or after  
24          December 31, 1993.

1 **SEC. 205. CERTAIN CORPORATIONS ALLOWED TO SPONSOR**  
2 **EMPLOYEE STOCK OWNERSHIP PLANS.**

3 (a) IN GENERAL.—Subparagraph (A) of section  
4 1361(c)(2) (relating to definition of S corporation) is  
5 amended by inserting after clause (iv) the following new  
6 clause:

7 “(v) A trust established pursuant to  
8 an employee stock ownership plan (as de-  
9 fined in section 4975(e)(7)).”.

10 (b) TRUSTEE TREATED AS SHAREHOLDER.—Sub-  
11 paragraph (B) of section 1361(c)(2) (relating to definition  
12 of S corporation) is amended by adding at the end the  
13 following new clause:

14 “(v) In the case of a trust described  
15 in clause (v) of subparagraph (A), the  
16 trustee shall be treated as the share-  
17 holder.”.

18 (c) APPLICATION OF UNRELATED BUSINESS TAX.—

19 (1) IN GENERAL.—Subsection (b) of section  
20 513 (relating to unrelated trade or business) is  
21 amended—

22 (A) by striking “or” before “by a partner-  
23 ship” and inserting a comma, and

24 (B) by inserting “, or by an S corporation  
25 of which it is a shareholder” before the end pe-  
26 riod.

1           (2) SPECIAL RULES.—So much of subsection  
2           (c) of section 512 (relating to unrelated taxable in-  
3           come) as precedes paragraph (2) is amended to read  
4           as follows:

5           “(c) SPECIAL RULES APPLICABLE TO PARTNER-  
6 SHIPS AND S CORPORATIONS.—

7           “(1) IN GENERAL.—If a trade or business regu-  
8           larly carried on by a partnership of which an organi-  
9           zation is a member, or by an S corporation of which  
10          a trust established pursuant to an employee stock  
11          ownership plan (as defined in section 4975(e)(7)) is  
12          a shareholder, is an unrelated trade or business with  
13          respect to such organization or trust, such organiza-  
14          tion or trust shall, in computing its unrelated busi-  
15          ness taxable income (and subject to the exceptions,  
16          additions, and limitations contained in subsection  
17          (b)), include its share (whether or not distributed) of  
18          the gross income of the partnership or S corporation  
19          from such unrelated trade or business and its share  
20          of the partnership or S corporation deductions di-  
21          rectly connected with such gross income.”.

22          (d) S CORPORATION TO PAY ESOP’S UNRELATED  
23 BUSINESS TAX.—



1           (1) IN GENERAL.—Section 1361 (relating to  
2       definition of S corporation) is amended by adding at  
3       the end the following new subsection:

4       “(e) SPECIAL RULE FOR EMPLOYEE STOCK OWNER-  
5   SHIP TRUSTS.—A trust shall not be treated as described  
6   in clause (v) of subsection (c)(2)(A) unless the S corpora-  
7   tion the stock of which is held by such trust pays, or guar-  
8   antees the payment by such trust of, any tax imposed by  
9   section 511. Any such payment or guarantee shall be made  
10   in such manner as the Secretary may prescribe and shall  
11   not be treated as a contribution to the trust under section  
12   404(a).”.

13           (2) CONFORMING AMENDMENTS.—

14           (A) Section 408(b) of the Employee Retire-  
15       ment Income Security Act of 1974 is amended  
16       by adding at the end the following new para-  
17       graph:

18       “(14) Any guarantee or payment of a tax liabil-  
19       ity as described in section 1361(e) of the Internal  
20       Revenue Code of 1986.”.

21           (B) Subsection (d) of section 4975 (relat-  
22       ing to tax on prohibited transactions) is amend-  
23       ed by striking “or” at the end of paragraph  
24       (14), by striking the period at the end of para-  
25       graph (15) and inserting “; or”, and by insert-

1           ing after paragraph (15) the following new  
2           paragraph:

3           “(16) any guarantee or payment of a tax liabil-  
4           ity as described in section 1361(e).”.

5           (e) COMPUTATION OF TAX ON UNRELATED BUSI-  
6           NESS INCOME.—Subsection (a) of section 511 (relating to  
7           imposition of tax on unrelated business income of chari-  
8           table organizations) is amended by adding at the end the  
9           following new paragraph:

10           “(3) SPECIAL RULE FOR CERTAIN TRUSTS.—In  
11           the case of a trust described in section  
12           1361(c)(2)(A)(v), the tax imposed by paragraph (1)  
13           on such trust’s pro rata share of an S corporation’s  
14           income pursuant to section 1366 shall be computed  
15           by multiplying its pro rata share of such income by  
16           the highest rate of tax specified in section 11(b).”.

17           (f) S CORPORATION STOCK DISTRIBUTIONS TO  
18           ESOP NOT TREATED AS CONTRIBUTIONS.—Section  
19           404(a) (relating to deductions for contributions of an em-  
20           ployer to an employee trust) is amended by adding at the  
21           end the following new paragraph:

22           “(10) DISTRIBUTIONS WITH RESPECT TO  
23           STOCK OF S CORPORATION.—Distributions with re-  
24           spect to the stock of an S corporation made to an  
25           employee stock ownership plan (as defined in section

1        4975(e)(7)) shall not be considered contributions for  
2        purposes of this section or section 415(c).”.

3        (g) DEDUCTION FOR S CORPORATION STOCK DIS-  
4        TRIBUTIONS.—Paragraph (2) of section 404(k) (relating  
5        to deduction for dividends paid on certain employer securi-  
6        ties) is amended by adding at the end the following new  
7        subparagraph:

8                “(C) DIVIDEND.—The term ‘dividend’  
9                shall include distributions with respect to stock  
10              of an S corporation which would be treated as  
11              a dividend but for the application of section  
12              1368(a).”.

13        (h) ESOP MAY DISTRIBUTE CASH.—The second  
14        sentence of paragraph (2) of section 409(h) (relating to  
15        right to demand employer securities put option) is amend-  
16        ed to read as follows: “In the case of an employer that  
17        is an S corporation or whose charter or bylaws restrict  
18        the ownership of substantially all outstanding employer se-  
19        curities to employees or to a trust described in section  
20        401(a), a plan which otherwise meets the requirements of  
21        this subsection or section 4975(e)(7) shall not be consid-  
22        ered to have failed to meet the requirements of this sub-  
23        section or section 401(a) merely because it does not permit  
24        a participant to exercise the right described in paragraph  
25        (1)(A) if such plan provides that participants entitled to

1 a distribution from the plan shall have a right to receive  
 2 such distribution in cash, except that such plan may dis-  
 3 tribute employer securities subject to a requirement that  
 4 such securities may be resold to the employer under terms  
 5 which meet the requirements of paragraph (1)(B).”.

6 (i) EFFECTIVE DATE.—The amendments made by  
 7 this section shall apply to plans sponsored on or after De-  
 8 cember 31, 1993.

## 9 **TITLE III—STATE PROGRAMS TO** 10 **ENCOURAGE EMPLOYEE** 11 **OWNERSHIP**

### 12 **SEC. 301. PROGRAMS REGARDING EMPLOYEE OWNERSHIP** 13 **AND PARTICIPATION.**

14 (a) ESTABLISHMENT OF PROGRAM.—Not later than  
 15 180 days after the date of the enactment of this Act, the  
 16 Secretary of Labor (referred to in this section as the “Sec-  
 17 retary”) shall establish a program to facilitate the estab-  
 18 lishment of State programs to foster increased employee  
 19 ownership and greater employee participation in business  
 20 decisionmaking throughout the United States.

21 (b) PURPOSE OF PROGRAM.—The Secretary shall es-  
 22 tablish the program under subsection (a) to encourage  
 23 State programs which focus on the following:

24 (1) Activities involving education and outreach  
 25 to inform individuals about the possibilities and ben-

1       efits of employee ownership, gainsharing, and par-  
2       ticipation in business decisionmaking, including fi-  
3       nancial education.

4           (2) Activities involving technical assistance to  
5       assist employee efforts to become business owners.

6           (3) Activities involving participation training to  
7       teach employees and employers methods of employee  
8       participation in business decisionmaking.

9           (4) Activities involving training other organiza-  
10      tions to apply for funding under this section.

11      (c) PROGRAM DETAILS.—In focusing on activities re-  
12      ferred to in subsection (b), the Secretary may include in  
13      the program provisions that would—

14           (1) in the case of activities under subsection  
15      (b)(1)—

16           (A) provide for the targeting of key groups  
17           such as retiring business owners, unions, man-  
18           agers, trade associations, and community orga-  
19           nizations;

20           (B) encourage cooperation in organizing  
21           workshops and conferences; and

22           (C) provide for the preparation and dis-  
23           tribution of materials concerning employee own-  
24           ership and participation;

1 (2) in the case of activities under subsection

2 (b)(2)—

3 (A) provide for the performance of  
4 prefeasibility assessments;

5 (B) provide assistance in the funding of  
6 objective third party feasibility studies; and

7 (C) provide a data bank to help employees  
8 find legal, financial, and technical advice in con-  
9 nection with company ownership;

10 (3) in the case of activities under subsection

11 (b)(3)—

12 (A) provide for courses on employee par-  
13 ticipation; and

14 (B) provide for the development and fos-  
15 tering of networks of employee-owned compa-  
16 nies to spread the use of successful participa-  
17 tion techniques; and

18 (4) in the case of activities under subsection

19 (b)(4)—

20 (A) provide for visits to existing programs  
21 qualified under this title by staff from new pro-  
22 grams receiving funding under this title; and

23 (B) provide materials to be used by organi-  
24 zations qualified under this title.

1 (d) REGULATIONS.—Regulations issued by the Sec-  
2 retary pursuant to this title shall include provisions assur-  
3 ing that any program within the several States established  
4 for the purposes of this title be—

5 (1) proactive in encouraging actions and activi-  
6 ties that will promote and encourage employee own-  
7 ership of companies and participation in decision-  
8 making therein; and

9 (2) comprehensive in emphasizing both em-  
10 ployee ownership of companies and employee partici-  
11 pation in company decisionmaking so as to boost  
12 productivity and broaden capital ownership.

13 (e) GRANTS.—Any program established pursuant to  
14 subsection (a) shall provide for grants to the program  
15 within the several States in accordance with section 304.

16 **SEC. 302. OFFICE OF EMPLOYEE OWNERSHIP AND PARTICI-**  
17 **PATION.**

18 (a) ESTABLISHMENT.—The Secretary shall establish,  
19 within the Department of Labor, the Office of Employee  
20 Ownership and Participation (hereinafter referred to as  
21 the “Office”) to promote employee ownership,  
22 gainsharing, and employee participation in company deci-  
23 sionmaking.

24 (b) FUNCTIONS.—The functions of the Office are  
25 to—

1           (1) support programs within the several States  
2           approved by the Secretary as being in compliance  
3           with the program established pursuant to section  
4           301; and

5           (2) facilitate the formation of new programs  
6           within the several States for the purpose of accom-  
7           plishing the goals of this title.

8           (c) DUTIES.—In carrying out its functions under  
9           subsection (b), the Office shall—

10           (1) in the case of activities under subsection  
11           (b)(1), support those programs within the several  
12           States that are designed to achieve the goals and  
13           purposes set forth in this title and to provide such  
14           support by—

15                   (A) making matching Federal grants under  
16                   section 304; and

17                   (B) acting as a clearinghouse on tech-  
18                   niques employed by the programs within the  
19                   several States and disseminating information to  
20                   such programs, or funding such information  
21                   gathering and dissemination programs by  
22                   groups outside the Office; and

23           (2) in the case of activities under subsection  
24           (b)(2), facilitate the formation of new programs by  
25           encouraging the establishment of such programs in



1 each of the 50 States, including the holding or fund-  
2 ing of an annual conference to bring together rep-  
3 resentatives from existing programs with the several  
4 States and representatives from States without such  
5 existing programs.

6 **SEC. 303. ORGANIZATION OF THE OFFICE.**

7 (a) DIRECTOR.—There shall be at the head of the  
8 Office a Director of Employee Ownership and Participa-  
9 tion (hereinafter referred to as the “Director”) who shall  
10 be appointed by the Secretary.

11 (b) EMPLOYEES.—In carrying out the functions of  
12 the Office, the Director may select, appoint, employ, and  
13 fix the compensation of such employees as shall be nec-  
14 essary to carry out the functions of the Office.

15 **SEC. 304. GRANTS.**

16 (a) IN GENERAL.—For the purpose of making grants  
17 authorized under the program established pursuant to sec-  
18 tion 301, the Office is authorized to make grants for use  
19 in connection with programs within the several States for  
20 any of the following activities:

21 (1) Education and outreach.

22 (2) Participation training.

23 (3) Technical studies, including prefeasibility  
24 and feasibility studies.

1           (4) Activities facilitating cooperation among  
2           employee ownership firms.

3           (5) Training for newly formed organizations to  
4           be provided by existing organizations qualified under  
5           this title, except that such funding shall not exceed  
6           10 percent of the total grants under this title and  
7           will not require matching State contributions.

8           (b) MATCHING.—Grants under this section shall be  
9           made by the Office on a matching basis, \$1 of Federal  
10          money for every 50 cents of non-Federal money.

11          (c) APPLICATIONS.—The Office shall prescribe the  
12          form and information necessary for applications for grants  
13          under this section.

14          (d) AMOUNTS AND CONDITIONS.—The Office shall  
15          determine the amounts and the conditions for grants made  
16          under this section.

17          (e) GRANTS ON BEHALF OF OTHER ENTITIES.—

18               (1) STATE APPLICATIONS.—Each of the several  
19               States may sponsor and submit applications on be-  
20               half of units of State or local governments, State-  
21               supported institutions of higher education, and non-  
22               profit organization programs meeting the require-  
23               ments of this title, but in no case shall the aggregate  
24               amounts of these grants made to any unit of State  
25               or local government, State-supported institutions of

1 higher education, or nonprofit organization pro-  
2 grams exceed the amount set forth in subsection (g).

3 (2) APPLICATIONS BY ENTITIES.—In any case  
4 in which a State fails to establish a program pursu-  
5 ant to this title during any fiscal year, the Secretary  
6 shall allow in the subsequent fiscal year entities de-  
7 scribed in paragraph (1) to make applications for  
8 grants on their own initiative. States would be al-  
9 lowed to submit applications in subsequent years as  
10 well but would no longer be able to screen applica-  
11 tions first for submission to this program.

12 (f) ANNUAL REPORT.—Each grant recipient shall  
13 submit an annual report to the Office setting forth how  
14 all moneys from grants pursuant to this title were ex-  
15 pended during the 12-month period preceding the date of  
16 the submission of the report.

17 (g) LIMITATIONS.—Grants to each of the recipients  
18 shall be limited for each fiscal year as follows:

19 (1) Fiscal year 1994, not to exceed, in the ag-  
20 gregate \$200,000.

21 (2) Fiscal year 1995, not to exceed, in the ag-  
22 gregate \$220,000.

23 (3) Fiscal year 1996, not to exceed, in the ag-  
24 gregate \$242,000.

1           (4) Fiscal year 1997, not to exceed, in the ag-  
2       gregate \$266,200.

3           (5) Fiscal year 1998, not to exceed, in the ag-  
4       gregate \$292,000.

5   **SEC. 305. AUTHORIZATIONS.**

6       (a) IN GENERAL.—For the purpose of making grants  
7   pursuant to section 304, there are authorized to be appro-  
8   priated the following:

9           (1) For fiscal year 1994, \$2,500,000.

10          (2) For fiscal year 1995, \$4,250,000.

11          (3) For fiscal year 1996, \$6,000,000.

12          (4) For fiscal year 1997, \$7,750,000.

13          (5) For fiscal year 1998, \$9,500,000.

14       (b) ADMINISTRATIVE EXPENSES.—For the purpose  
15   of funding the Office, there is authorized to be appro-  
16   priated for each of the fiscal years 1994 through 1998  
17   an amount not in excess of 7.5 percent of the maximum  
18   amount available under subsection (b), or \$250,000,  
19   whichever is the lesser.

20   **SEC. 306. OFFICE REPORTING.**

21       Prior to the expiration of the 36-month period follow-  
22   ing the date of enactment of this Act, the Director shall  
23   report to the Congress on the progress of employee owner-  
24   ship and participation in businesses in the United States.

- 1 The report shall include a critical cost and benefit analysis
- 2 of program activities.

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S 1755 IS——2

S 1755 IS——3

S 1755 IS——4